

Consolidated tape, now what for the bond CT?

At Eurofi in Paris in February 2022 I concluded the CT panel that I moderated with the phrase: Let's see in Santiago de Compostela what has come out of the trilogue negotiations. With the principal agreement reached on the MiFIR review, it is now time to consider the practical establishment of a viable and effective consolidated tape solution.

Although the technical trilogues have not been completely finalized yet at the time of writing, a positive outcome seems clear. There will be a CT that will add significantly to transparency and execution quality, reducing fragmentation in EU capital markets, increasing visibility, comparability, funding opportunities and improve market resilience.

This does mean that real work starts now. From the AFM side, we have continuously strived for the rapid establishment of a bond CT as we believe this would have the most significant impact on transparency. Now that the outlines are clear, we need to make sure that a viable CT proof of concept can be delivered soon.

There are number of considerations that would need to be addressed as part of these next steps, and most importantly, the tender and award process by ESMA.

- In our view, the bond CT should provide for real-time, subject to applicable deferrals, post-trade data feeds based on mandatory contributions from market data contributors as defined in MiFIR. Core market data should be made available to the Consolidated Tape Provider (CTP) in standardised formats. These formats should leverage, to the extent possible, existing MiFIR reporting methodologies and industry practices.
- The main task of a CT provider will be to ensure a solid and secure technical platform for processing, (cloud)storing, and harmonizing data contributions for consumption, combined with adequate capabilities for administration, access, dissemination, distribution licensing and subscription management for CT data consumption.
- CT data should be made as widely available as practically possible to different types of end-users, differentiating between display data aimed at non-professional usage and wholesale non-display data for automated processing, redistribution or to support the creation of value-added services.
- A CT provider should establish a solid governance framework, ensuring fair representation of all stakeholders including data contributors and users. Governance and avoidance of conflicts of interests should become an essential element of the selection and award procedure for CT providers by ESMA.

It is now key that all stakeholders involved should work together to get the CT working in practice and to seek a provider that is able to operationalize the CT effectively.

Together with the industry and supported by ESMA and the European Commission in observer capacity, the AFM has already drafted a number of high-level technical principles on the core attributes of a bond CT in May 2022 that address the above.

These principles were the result of a process facilitating the generation of ideas, business models and proofs of concept by way of our Regulatory Sandbox that includes technology providers, industry representatives from the buy- and sell-side, trading venues and liquidity providers. This allowed for rapid progress to be made and for market based, practical guidance to be developed into an agreement on high-level technical principles for a corporate bond CTP.

In our view, these principles are still a perfect blueprint to address the many practical elements around data delivery, data quality, scoping and governance. Some of the data quality and reporting recommendations have meanwhile been taken onboard in the amendments of MiFIR RTS 2 and the new comprehensive ESMA reporting guidelines.

Having an operational CT in place will be a great boost to enhance real meaningful transparency in a manner that is useful to all market participants.

In particular a correct and flexible calibration of an EU wide deferral regime for bonds is essential for the establishment of a bond CT, which will eventually be up to ESMA.

Last, but not least, ensuring the right level of data quality and consistency is paramount. Much progress has been made with better guidance and best practices on correct and consistent ways of reporting. We further believe in strengthening ESMA's role in handling and enhancing data quality and reporting consistency. Another key element is to form an industry expert group to advise on some of the key issues in reporting market data and CT governance.

We all agree on the timely implementation of a CT for bonds as an integral element of the Capital Markets Union and that now is the time to deliver. Already looking forward to 2025's Eurofi in Poland to see where we landed!

Key phrase: *Consolidated Tape; it is the right time to turn to execution modus.*

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